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CAUSE

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ACTION AF-18

DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY CJ DATE 8/7/81
PORTIONS DENIED AS INDICATED

~~INFO OCT-01 EUR-20 NEA-13 INT-06 CIAE-00 DODE-00 PM-05~~

H-02 INR-07 L-04 NSAE-00 NSC-10 P-03 RSC-01 PRS-01

SS-20 USIA-12 COM-08 TRSY-11 E-15 RSR-01 /158 W
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P R 111524Z JUN 70
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC PRIORITY 6425
INFO AMEMBASSY BEIRUT
AMEMBASSY BENGHAZI
AMEMBASSY BONN
AMCONSUL DHAHRAN
AMEMBASSY KUWAIT
AMEMBASSY LONDON
AMEMBASSY JODDA
AMEMBASSY TEHRAN

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DEPT PASS: ALGIERS:

SUBJ: PRODUCTION RESTRICTIONS AND REGULATION. 8.

1. EMB INFORMED BY AMOSEAS (SOCAL AND TEXACO.) IT RECEIVED LETTER FROM MINISTRY PETROLEUM JUNE 10 IMPOSING CRUDE OIL PRODUCTION RESTRICTION BY INDIVIDUAL WELLS FOR EACH OF ITS FIELDS. LETTER DATED JUNE 4 AND SPECIFIED CUT-BACK TO BE EFFECTIVE JUNE 15. ASSERTION THAT COMPANY NEGLIGENT IN MAINTAINING RESERVOIR PRESSURE GIVEN AS JUSTIFICATION FOR ORDER. AMOSEAS ESTIMATES COMPLIANCE WITH ORDER WILL REDUCE ITS PRODUCTION [REDACTED]

2. MINISTRY'S LETTER ALSO REQUESTED DETAILED RESERVOIR DATA, INCLUDING ISOPACH MAPS, WATER-OIL INTERFACE CHARTS, BOTTOM HOLE PRESSURE READINGS AND BACKGROUND ON UNITIZATION AGREEMENTS AMONG DISCUSSING WITH OTHER PRODUCERS. AMOSEAS NOTED THIS INFORMATION IS INCLUDED UNDER REQUIREMENTS OF LIBYA'S CONSERVATION REGULATION (REGULATION 8), ACCEPTANCE OF WHICH BY COMPANIES

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HAS BEEN AN ISSUE FOR MORE THAN ONE YEAR.

3. AMOSEAS HAS CHALLENGED MINISTRY TO JUSTIFY ORDER ON TECHNICAL GROUNDS, WHILE CLAIMING IT HAS FOLLOWED SOUND CONSERVATION PRACTICES. MINISTRY HAS RESPONDED BY REITERATING ITS REQUEST FOR COMPLETE RESERVOIR DATA, WITHOUT WHICH MINISTRY CLAIMS IT HAS NO BASIS ON WHICH TO ALTER PRODUCTION RESTRICTION. AMOSEAS DOES NOT HAVE AUTHORITY TO SUPPLY DATA REQUESTED, BUT IS CONTINUING TO PRESS FOR POSTPONEMENT OF CUT-BACK DATE.

4. COMMENT. PATTERN BEGINNING TO EMERGE FROM CUT-BACK ORDERS REDUCING OCCIDENTAL'S PRODUCTION. XXXXXXXXXX LAST MONTH AND RESTRICTION NOW TO BE IMPOSED ON AMOSEAS SUGGESTS LARG HAS TWO-FOLD OBJECTIVE: B 4

A) TO LIMIT RATE OF EXPLOITATION OF LIBYA'S OIL TO LEVEL CONSISTENT WITH LIBYA'S FINANCIAL REQUIREMENTS--A REOCCURRING THEME AMONG LIBYAN OFFICIALS (SEE A-227 AND TRIPOLI 1187, PARA 6, NOTAL)--- BY IMPOSING CONSERVATION CONTROLS, B) TO FORCE PIECEMEAL COMPLIANCE OF COMPANIES WITH REQUIREMENTS OF REGULATION 8 AND, ULTIMATELY, ACCEPTANCE OF REGULATION. ACCEPTANCE OF REGULATION 8 WOULD GIVE LARG MORE INFORMATION ABOUT COMPANY OPERATIONS AND INCREASED AUTHORITY TO CONTROL THEM.

ORDERS RESTRICTING PRODUCTION BY OTHER COMPANIES GENERALLY ARE EXPECTED TO BE ISSUED SOON.

5. INITIALLY, EMBASSY AND COMPANIES INTERPRETED CUT-BACK OF OCCIDENTAL'S PRODUCTION TO BE PRESSURE TACTIC RELATED TO POSTED PRICE NEGOTIATIONS. MINISTRY REPEATEDLY ASSERTED PRODUCTION RESTRICTION WAS PURELY CONSERVATION MATTER, AND IT NOW APPEARS THIS MAY BE ITS OBJECTIVE. IN EFFECT, LARG HAS OPENED TWO-FRONT WAR WITH COMPANIES--PRICES AND CONSERVATION. BATTLES IN OTHER AREAS ARE ALMOST CERTAIN, ESPECIALLY ON LIBYANIZATION AND PORT DUES. FINANCIAL LINKS BETWEEN ALL OF THESE ISSUES EXIST AND HAVE EFFECT OF COMPOUNDING BURDEN ON COMPANIES. BUT THIS EFFECT IS NOT ADMITTED BY LARG'S OIL OFFICIALS. PACKAGE SETTLEMENT PROVIDING SOLUTION TO ALL CURRENT ISSUES WOULD BE TO COMPANIES' ADVANTAGE, BUT LARG IS KEEPING ISSUES SEPARATE AT THIS STAGE TO MAXIMIZE ITS BENEFITS

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